TAXPAYER REFUND ACT/Higher Taxes, Social Security, & Medicare Subsidies

SUBJECT: **Taxpayer Refund Act of 1999 . . . S. 1429. Baucus motion to waive the Budget Act for the consideration of the Baucus motion to recommit with instructions.**

ACTION: MOTION REJECTED, 42-58

SYNOPSIS: As reported, S. 1429, the Taxpayer Refund Act of 1999, will give back to the American people $792 billion of the $3.3 trillion in surplus taxes that the Congressional Budget Office (CBO) has projected that the Federal Government will collect over the next 10 years. The projection is based on assumptions of 2.4-percent average annual growth in the economy, no growth in discretionary spending after 2002, and entitlement spending growth as required under current law. Approximately $1.9 trillion of the surpluses will be Social Security surpluses (Republicans have been attempting to defeat a Democratic filibuster of a proposal to protect those surpluses from being spent; see vote Nos. 90, 96, 166, 170, 193, and 211). After protecting the Social Security surpluses and providing tax relief of $792 billion, $505 billion will remain for additional spending or debt reduction. The average growth rate over the past 50 years has been 3.4 percent. The current growth rate is around 4 percent. If the 3.4-percent average rate is maintained for the next 10 years, then (using the CBO rule-of-thumb chart from Appendix C of the January 1999 Economic and Budget Outlook) the surplus will be roughly $4.9 trillion, not $3.3 trillion. Key tax relief provisions include that the bottom tax rate will be lowered to 14 percent and expanded (providing $297.5 billion in tax relief over 10 years) and the tax burden on families will be cut (providing $221.7 billion in tax relief). Tax relief will also be given to encourage saving for retirement, to make education and health care more affordable, to lower death taxes, and to lower taxes on small businesses.

The Baucus motion to recommit with instructions would instruct the Finance Committee to report the bill back within 3 days with an amendment (No. 1399) that would reduce the tax relief in the bill by approximately one-third ($300 billion), that would enact a point of order against any legislative proposal that would result in an on-budget deficit, that would extend the pay-go point of order in order to prevent any on-budget surpluses from being refunded to the American people (though most of the money could still be spent on discretionary programs), and that would require one-third of any on-budget surpluses that occurred in each of the next 15 years to be saved for a "Medicare surplus reserve." A point of order would apply against spending the money earmarked for the

(See other side)

YEAS (42)			NAYS (58)			NOT VOTING (0)	
Republicans	**Democrats**		**Republicans**		**Democrats**	**Republicans**	**Democrats**
(0 or 0%)	**(42 or 93%)**		**(55 or 100%)**		**(3 or 7%)**	**(0)**	**(0)**
	Akaka	Kennedy	Abraham	Hutchinson	Breaux		
	Baucus	Kerry	Allard	Hutchison	Hollings		
	Bayh	Kohl	Ashcroft	Inhofe	Kerrey		
	Biden	Landrieu	Bennett	Jeffords			
	Bingaman	Lautenberg	Bond	Kyl			
	Boxer	Leahy	Brownback	Lott			
	Bryan	Levin	Bunning	Lugar			
	Byrd	Lieberman	Burns	Mack			
	Cleland	Lincoln	Campbell	McCain			
	Conrad	Mikulski	Chafee	McConnell			
	Daschle	Moynihan	Cochran	Murkowski			
	Dodd	Murray	Collins	Nickles			
	Dorgan	Reed	Coverdell	Roberts			
	Durbin	Reid	Craig	Roth			
	Edwards	Robb	Crapo	Santorum			
	Feingold	Rockefeller	DeWine	Sessions			
	Feinstein	Sarbanes	Domenici	Shelby			
	Graham	Schumer	Enzi	Smith, Bob (I)			
	Harkin	Torricelli	Fitzgerald	Smith, Gordon			
	Inouye	Wellstone	Frist	Snowe			
	Johnson	Wyden	Gorton	Specter			
			Gramm	Stevens			
			Grams	Thomas			
			Grassley	Thompson			
			Gregg	Thurmond			
			Hagel	Voinovich			
			Hatch	Warner			
			Helms				

EXPLANATION OF ABSENCE:
1—Official Business
2—Necessarily Absent
3—Illness
4—Other

SYMBOLS:
AY—Announced Yea
AN—Announced Nay
PY—Paired Yea
PN—Paired Nay

reserve except to add new subsidies to the Medicare trust fund or to pay for Medicare prescription drug benefits as part of, or subsequent to, Medicare reform legislation that "significantly" extended Medicare's solvency. The reserve would not operate as a trust fund. A three-fifths majority (60) vote would be required to waive the above-listed points of order.

Senator Domenici raised a point of order that the motion violated section 305(b)(2) of the Budget Act. Senator Baucus then moved to waive the Budget Act for the consideration of the motion. Generally, those favoring the motion to waive favored the motion to recommit; those opposing the motion to waive opposed the motion to recommit.

NOTE: A three-fifths majority (60) vote is required to waive the Budget Act. After the failure of the motion to waive, the point of order was upheld and the amendment thus fell.

Those favoring the motion to waive contended:

This proposal would protect both Social Security and Medicare. To protect Social Security, it would simply create a point of order against considering any legislative proposal that would spend any part of Social Security's surpluses. It would take a 60-vote supermajority vote to waive that point of order. This approach is much better than the rigid debt caps our colleagues want to enact. Such caps raise the prospect of the Government defaulting on its debts if Congress and the President fail to resolve their disagreements on adhering to those caps in time. The House already agreed to the approach in this amendment; Senators should do the same. To protect Medicare the amendment would create a Medicare lockbox. Our Republican colleagues say that they do not want to just throw money at Medicare. Neither do we, but it may be necessary to keep it solvent, so we have included in our amendment that the money can be transferred from the reserve fund to Medicare to subsidize it. We have also said that the Medicare reserve's funds could be used for reforms to extend its solvency and to provide prescription drug benefits. A point of order would lie against any other use of the funds, and it would take a three-fifths vote to waive that point of order. This amendment would lower the tax relief in this bill by one-third. We favor that reduction, because setting aside funds to save Medicare is a higher priority for us than is cutting taxes. We therefore urge the adoption of this amendment.

Those opposing the motion to waive contended:

This amendment would deny $300 billion in tax relief. Our Democratic colleagues have been very clear in stating that they have that intent with this amendment. They say that they want to deny that relief so they can use the money to prop up Medicare or to enact needed Medicare reforms. At this point in their description of their amendment they have already given us two huge reasons for voting against it. First, the tax relief in this bill does not need to be reduced in order for us to be able to afford paying for Medicare reforms. The budget resolution we passed already created a $90 billion reserve fund for that purpose, and the bill before us, after giving tax relief of $792 billion, will still leave $505 billion over the next 10 years in non-Social Security surpluses that can be spent on Medicare reform or other purposes. Thus, this amendment starts immediately with the false proposition that in order to reform Medicare, we need to spend $805 billion of the $1.3 trillion in excess taxes that are going to be collected in the next 10 years instead of spending "only" $505 billion. The second huge reason for voting against this amendment, just up to this point in its description, is that it would allow the extra money that it would steal from tax relief to be used to subsidize Medicare instead of reforming it. That proposal is horribly irresponsible. The comparison between it and the proposal put forward by the President is unmistakable. The President said that his idea to "fix" Medicare was to make it a semi-welfare program with $300 billion of taxpayer subsidies. That is exactly what Democrats are proposing in this amendment. Just adding money does nothing to fix Medicare's problems--it just papers them over. Making matters even worse, adding $300 billion in subsidies would extend Medicare only until 2027. In 2027, the baby-boom generation will have retired, and we will have the largest ever number of frail elderly relying on Medicare. Also, because they have had fewer children, we will have a much smaller number of working Americans to tax to pay for their care. Thus, the President's proposal, and the Baucus proposal before us, is to throw money at the problem instead of fixing it and then to let the program go broke at the worst possible moment.

At this point the amendment only gets worse. First, it would extend the pay-go point of order in order to prevent any further tax relief with the on-budget surpluses for the next 10 years. No break would be placed on liberal's efforts to spend those surpluses instead of giving them back, though. Second, it would enact two weak new points of order to supposedly protect Social Security surpluses and the yearly Medicare reserve earmark. The Medicare point of order, interestingly enough, would not have any effect on the Medicare Program. All it would do is prevent spending of one-third of the on-budget surplus. Under this proposal, we could go 10 years without breaking the point of order and without making any reforms of or giving any subsidies to Medicare. This point of order, in other words, is a gimmick that has next to nothing to do with Medicare. The Social Security point of order would create a 60-vote point of order against spending any of the Social Security surpluses. Unfortunately, the Senate has proven all too willing to break similar points of order in the past. We need a much stronger lockbox for Social Security, of the type proposed in the Abraham/Domenici/Ashcroft amendment (see vote No. 227), if we are going to stop raids on its trust fund.

In summary, our colleagues have presented this amendment as a proposal to protect Social Security and Medicare, but it is neither. Instead, it is just a ruse for denying tax relief and increasing spending. We strongly urge its rejection.